



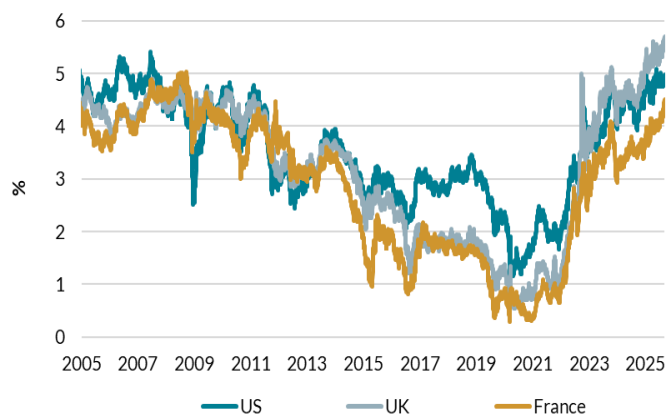
Asset Allocation Outlook

September 2025

- Trump's attacks on the Fed have effect on interest rates
- French budget troubles trigger interest rate volatility
- Investment policy unchanged

Equity markets generally noted positive results in August, both in local currency and euros. Yet things weren't straightforward. Equities fell at the start of the month after worse-than-expected job market data from the US. The political turmoil continued as well, with Trump making fresh attacks on the Fed. A U-turn from Fed Chair Powell towards cutting interest rates and sound corporate results succeeded in pushing equity markets higher though. In bond yields, it was the steepening of the US yield curve that stood out most. Two-year bond yields have come down now that the Fed seems to be paving the way for cuts to interest rates, but 10-year yields only dropped by a small amount. This points to investor concerns about the Fed adopting an excessively expansionary monetary policy. The upturn in 30-year bond yields likewise points to unease among bond investors.

30-year bond yields climb sharply



Source: Van Lanschot Kempen, LSEG

Our investment outlook remains unchanged. We anticipate low global growth, with the US slowing most versus last

year. Stubborn inflation is making it hard for the Fed to cut interest rates by much. We feel that equities are taking a rather optimistic view of economic and earnings growth and for this reason have decided to retain our neutral position.

US political turmoil persists

An unpredictable trade policy, the sacking of experienced government officials and attacks on the independence of the Fed; the political turmoil in the US continued in August.

In terms of trade, it's now largely clear which tariffs will apply. A general rate of 15% applies to the EU, Japan and Korea, with higher rates of about 20% for many Asian countries. Steel and aluminium from the EU are subject to an import tariff of 50%; steel and cars from Japan a rate of 25%. One bonus for the EU is that cars also come under the 15% tariff. For China a rate of nearly 60% still applies. India has had tariffs of 50% imposed on it because, in the eyes of the US, it imports too much Russian oil. Brazil continues to face a rate of 50% on its goods. This will take the average import tariff for the US towards 20%. In June, the most recent month for which US trade data are available, the average import tariff actually paid stood at 10%. It therefore translates into a significant increase, especially if companies have used up the stocks they accrued in the run-up to the trade war. This in turn means the effect on inflation will become more visible, as will the negative effect on consumer purchasing power.

Another surprise in trade policy occurred at the end of August. Several US companies challenged the legality of the current import tariffs in the courts. A panel of federal trade court judges agreed that the tariffs are illegal. This rejection of Trump's trade policy was later confirmed on appeal.

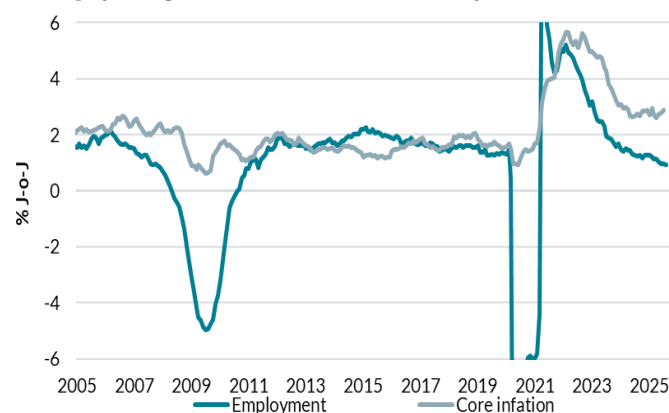
You'd think this would be extremely positive for the global economy and financial markets. Yet the response from equity markets was tepid, mainly because it doesn't mean an end to the tariffs. Trump will keep fighting to overturn the ruling of the lower courts all the way to the Supreme Court. With a Republican majority in the Supreme Court that has decided several recent cases in Trump's favour, it's uncertain whether the ruling will be upheld. Moreover, Trump has other ways of establishing import tariffs, so it doesn't mean we'll be rid of them that easily.

Trump's attack on the Fed this week consisted of him firing Fed governor Cook. She's accused of irregularities when applying for two residential mortgages. Cook claims there has been a misunderstanding. She's fighting her dismissal and has so far remained in office. This move fits in with Trump's policy of installing a majority of loyalists within the Fed too. Initially so that interest rates can be cut further but also to mould banking system regulations more according to Trump's liking. Trump already has two allies on the seven-strong Board of Governors. These two had already deviated from the majority of the Fed's policy committee by arguing in favour of lowering interest rates in July. The voluntary resignation of Fed governor Kugler in early August means that Trump has an opportunity to increase the number of loyalists to three. If Cook's dismissal - which will be challenged all the way to the Supreme Court and therefore take some time - is upheld, Trump will have a majority on the Board. The FOMC, the Fed's policy committee, in fact consists of more members than just the Board of Governors and there are eleven in all. The chair of the New York Fed is a permanent member of the FOMC. The other four members consist, on a rotating basis, of the chairs of the other eleven regional banks. These regional governors are generally less inclined towards cutting interest rates. They are appointed by the regional banks, but their appointment must be confirmed by the Board of Governors. Trump can therefore also exert influence on the composition of the FOMC via the Board. Such influence would be unprecedented but given Trump's policies so far, we cannot rule it out. Trump has never made a secret of wanting to shape the Fed to his liking.

In light of this recent attack, it's remarkable that Fed Chair Powell has switched towards cutting interest rates. In July, he still thought a marginally restrictive monetary policy appropriate, with inflation slightly above the Fed's target rate and a solid, balanced job market. Powell also said at the time that the upward risks for inflation and unemployment had increased, which makes a response from the Fed tricky. Yet nothing pointed to a potential cut to interest rates in September. In Jackson Hole, where governors from the Fed in Washington and the regional banks meet annually, Powell announced a policy U-turn. He mentioned economic growth, which declined in the first half of the year. The job

market is in balance, but that balance is precarious. The latest job market data have shown that job growth has slowed significantly. At the same time, labour supply growth has decreased due to Trump's strict immigration policy. On balance, unemployment climbed to 4.3% in August, slightly above the upper end of the range since May last year. There's no reason to panic. Lay-offs have increased, but this is partly normalisation after extremely low lay-off levels following the Covid pandemic. But according to Powell there's now a higher risk of job growth slowing even more. Powell says that the import tariffs are visible in the rate of inflation, and this will increase in the coming months. Headline inflation was unchanged in July at 2.6% according to the PCE index, but core inflation rose to 2.9%. Overall, core inflation hasn't come down since early 2024. This isn't so much because of the tariffs but more due to the stubborn inflation in the service sector. Like everyone else, the Fed doesn't know whether the inflation shock caused by import tariffs will be temporary or lead to a more persistent wave of inflation, for instance if inflation forecasts increase. In the short term, Powell certainly sees upward risks for inflation. All in all, this doesn't translate into a major alteration to the outlook in July, which is what makes Powell's U-turn so remarkable.

Low employment growth and stubborn inflation tricky for the Fed



Source: Van Lanschot Kempen, LSEG

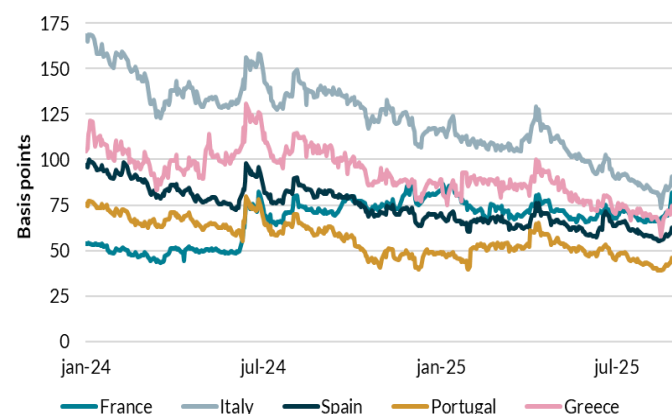
The financial markets welcomed the Fed's U-turn. Markets are now pricing in one interest rate cut in September and close to three cuts before the end of the year, plus a couple next year. Whether all these cuts will be implemented is uncertain in our view. Firstly, what has been priced in now is quite aggressive for an economy that the consensus agrees isn't heading for a recession. For the time being, income growth among families is sound at 5%. After inflation and taxes, this leaves growth of 2% for real disposable income. This will decrease somewhat if inflation rises. And growth in consumer spending will be low as a result. Yet that doesn't mean the economy will enter a recession. The fact that companies are investing enormous amounts in technology, including data centres, is often cited in this respect.

However, these only account for a portion of corporate investment. Growth in corporate investment declined in the second quarter versus the first quarter. Manufacturing confidence isn't pointing to strong investment growth either. Yet orders for capital goods were up substantially in July, which is a positive sign. All in all, we anticipate low growth and relatively high inflation.

Concerns about French government finances

In Europe, the political turmoil came from France. In 2024, the country's budget deficit grew to 6.1% of the GDP, far above the EU limit of 3%. France is having to contend with high spending on social security, including pensions, and healthcare. The Barnier government had already collapsed over the government budget, but the government headed by Prime Minister Bayrou doesn't look as if it will be able to get a budget through parliament either. Bayrou's centre-right bloc lacks a parliamentary majority, which also goes for the left and right blocs. On top of this, there's very little willingness to work together. The Bayrou government has proposed reducing the budget deficit to 4.6% in 2026 through a mix of cutbacks and higher taxes. Without a majority, however, France is again heading for a stalemate and potentially the collapse of another government. The options would then be to form a new centre-right government, which seems fairly pointless, hold new parliamentary elections or even new presidential elections. President Macron doesn't seem inclined towards choosing the latter option. A compromise involving the gradual reduction of the budget deficit is possible and will probably be accepted by the European Commission, but the political stalemate in France will persist for the time being. This is exerting upward pressure on bond yields. French yields had already climbed to over 3.5% back in 2023, until then their highest level since the crisis in the Eurozone in 2012. Yields again reached this mark earlier this year and have now exceeded 3.5%. Spreads versus Germany have again widened to 80 basis points. Yet there's no reason to panic: France will be able to meet its payment obligations. Yields have almost reached the same level as those in Italy, but even with a higher level of national debt Italy can still pay interest and redemptions. France has got a lot of work to do though. Excluding interest payments, France's budget deficit is about 4%, while excluding interest payments Italy's budget is more or less in balance. The fiscal situation has improved not just in Italy but also in Spain, Portugal and Greece in recent years. The wider spreads on French government bonds also had a minor effect on the spreads on these countries' bonds. A fiscal crisis in the Eurozone is therefore unlikely.

French spreads widen more sharply



Source: Van Lanschot Kempen, LSEG

The budget troubles in France raise the question of whether fiscal stimulation will help the Eurozone economy. This is certainly the case in Germany. The German government has shown itself willing to accelerate investments in infrastructure and higher spending on defence. The scale of the plans is such that not only the German economy but the whole Eurozone will be able to profit from them next year. We're talking about a few tenths of a percent here. There will be fewer stimulatory effects from the defence ambitions of the other member states. The high budget deficits and government debt in France and Italy mean these countries have no fiscal headroom to increase their defence spending without cutting back on other expenditure. In Spain, there's little appetite for increasing spending on defence. In short, the Eurozone countries may increase their defence spending but cut back elsewhere. This means the measures will not provide a fiscal boost.

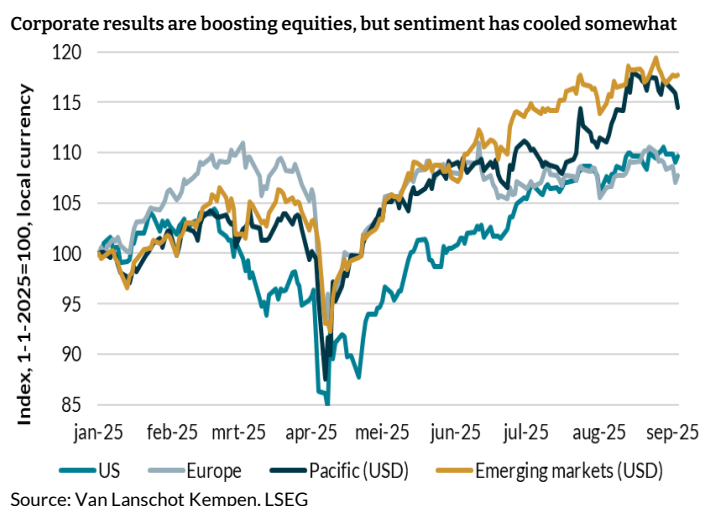
This while the Eurozone economy could certainly do with a fiscal boost. Leading indicators have improved slightly on balance following a small downturn earlier this year but are still at levels comparable to those of 2023 and 2024, years in which economic growth was below 1%. The German economy contracted by 0.3% in the second quarter versus the first quarter. Growth accelerated marginally in France, but Italy's economy shrank by 0.1%. We had pinned our hopes on consumers in the Eurozone. They have profited from strong income growth and accrued substantial savings. Since the summer of 2024, consumer spending growth has increased and been an important pillar shoring up growth in the Eurozone. We continue to put our faith in European consumers, but it's rather worrying that the recovery in consumer confidence has deteriorated again considerably following an upturn at the end of last year.

Overall, we still expect moderate growth in the Eurozone. Inflation is about 2% and therefore under control. Yet we think the ECB has almost reached the end of its interest rate cut cycle. The ECB has already cut its policy interest rates by about 2 percentage points to a neutral level of 2%. This is

starting to have a positive effect on lending by banks. Further cuts to interest rates would therefore not seem necessary at the moment.

Earnings boost equities

Now that the second-quarter earnings season is nearly over, we can take stock. At 12.4% versus the second quarter of last year, earnings growth was strongest in the US. After a strong start to the earnings season, European earnings growth ultimately didn't surpass 4.0%. Earnings were down by 5.1% in Japan. US companies caused the biggest positive surprises: over 80% of companies reported higher-than-expected earnings. Overall, earnings growth was 7.7 percentage points higher than forecast. Whereas a slowdown in earnings growth had been anticipated, companies succeeded in maintaining growth versus the first quarter. Earnings growth in the US was of course strongly supported by tech giants such as Alphabet, Amazon, Meta and Nvidia. It was striking that companies had little to say about the impact of import tariffs, perhaps to avoid a negative response from politicians. Partly because of these better-than-expected results, analysts are now more optimistic. Expected earnings per share for the coming twelve months have been raised substantially and those analysts raising their earnings expectations form the overwhelming majority. This is giving the equity market a boost, but we think expected earnings growth of 11% this year and 13% next year rather optimistic. The economy is slowing, and earnings and profit margins are already historically high.



Europe's earnings growth of 4.0% was also better than expected, albeit to a lesser extent than in the US. Markets had anticipated a minor downturn in earnings. The growth in earnings in Europe comes after two quarters in which earnings fell and is therefore something of a recovery. Yet there are no clear signs that Europe is managing to escape

the years of stagnating earnings. Expected earnings over twelve months are barely moving, while most analysts are adjusting their earnings forecasts downwards. A majority that incidentally is shrinking slightly. In the short term, there wouldn't seem to be much room for disappointment at expected earnings growth of 1.0% for 2025. Expected earnings growth of 12.3% for 2026 would be a welcome departure from a long period of stagnation, but we'll just have to wait and see.

Corporate results were worse than expected in Japan. The contraction of 5.1% was 3 percentage points below forecasts. We're seeing more analysts adjusting their earnings expectations upwards than downwards but expected earnings are still falling overall. This translates into moderate earnings dynamics.

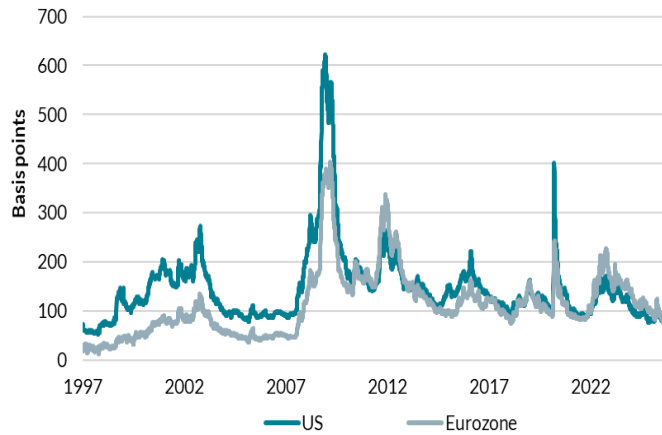
Investment policy unchanged

The upward trend in US equities has abated slightly and reversed to a certain extent in European equities. Emerging market equities have also had a more difficult time of it recently. As a result, the sentiment is no longer explicitly positive but nor is it negative. We anticipate a tough climate for equities, with lower growth and rising inflation in the US. If the Fed will cut as aggressively as currently discounted, it may not be positive for equity markets, as the cuts would be driven by disappointing growth. In other regions, too, we're seeing growth being squeezed by the higher import tariffs in the US and the resulting declining growth in global trade. We don't think equity markets have priced these expectations in properly. Furthermore, in the US the risk premium on equities, i.e. the difference between the earnings yield on equities and the yield on 10-year government bonds, has almost completely evaporated.

Within bonds, we hold a small overweight in Eurozone government bonds. We don't expect any major fluctuations in bond yields as we think government bond yields have already priced in the ECB's monetary policy, with the end of the interest rate cut cycle approaching. Spreads on French bonds have recently widened considerably: we ultimately anticipate a breakthrough in the political stalemate on the budget and a further widening of spreads consequently doesn't form part of our basic scenario. The overweight in government bonds is mainly prompted by our cautious economic outlook.

We hold small underweights in investment grade and high yield credits. Given the challenges facing the global economy, we think spreads are too tight in both these asset classes. Spreads on investment grade credits only need to widen by a small amount to earn a lower investment result than government bonds.

Tight spreads on investment grade bonds



Source: Van Lanschot Kempen, LSEG

Within investment grade credits we have a relative preference for the Eurozone versus the US. Spreads are of course wider in the high yield segment, but the companies are also more vulnerable. Especially in the US, some companies still need to refinance their debt at higher interest rates than when the bonds were issued.

Tactical outlook

Asset class	
Equities	Neutral
<p>Equity markets succeeded in noting gains in August, but the positive sentiment waned somewhat. The MSCI global equity index, listed in US dollars, climbed by 1.7%. The Pacific region was up by 2.7% measured in US dollars. In euros Europe noted an upturn of 1.8%, the US 1.6% in US dollars. Emerging markets trailed behind with a minimal loss of 0.1% in US dollars. Poor job market data in the US initially caused doubts among equity investors but sound corporate results boosted equities. In Europe, French budget troubles restricted a stronger upturn. We think markets have risen quickly against a background of uncertainty about the outcome of the trade war at a time of expected lower growth and higher inflation in the US. In Europe, we anticipate an ailing economy. Earnings dynamics have improved in the US but remain weak in Europe. Our outlook that a recession can be avoided in the US is what's preventing us holding an underweight.</p>	
Government bonds	Overweight
<p>A U-turn from Fed Chair Powell and a renewed attack on the Fed from Trump led to US 2-year bond yields falling by more than their 10-year counterparts. More interest rate cuts have been priced in, but there are also concerns about a potential loss of independence for the Fed. It now looks extremely likely that the Fed will cut interest rates in September; after that we need to wait and see. A slowing economy but stubborn inflation poses a difficult dilemma for the Fed. We don't anticipate a clear downward trend in US bond yields. US yields may appear attractive, but hedging the exchange risk is relatively expensive. This is why we don't hold any US government bonds in the portfolio. In the Eurozone, the ECB's cycle of interest rate cuts is coming to an end. Due to an ailing economy and inflation at about the ECB's target rate, no further cuts to interest rates are being priced in. We view this as reasonable as the ECB has already implemented a series of cuts and the effects are already becoming visible. We think there's little capacity for lower 10-year bond yields in Germany given the country's more expansive budgetary policy. Our small overweight in government bonds is driven by our cautious stance on global growth.</p>	
Investment grade credits	Underweight
<p>Spreads on investment grade credits in the US and Eurozone remained virtually unchanged in August. The picture of historically tight spreads therefore persists. Low growth without a recession and inflation coming down traditionally create a climate in which investment grade credits flourish. However, for this to happen growth mustn't drop too far and inflation mustn't rise too high. We continue to view this as a risk in the US, which is the reason for our underweight there. Similar risks are present in the Eurozone, but spreads are less tight here in relative terms and on top of this, spreads account for a larger portion of the total interest compensation. This is why we still prefer investment grade credits to government bonds in the Eurozone. The underweight in the US is bigger than the overweight in the Eurozone and we therefore hold an underweight overall in this asset class.</p>	
High yield credits	Underweight
<p>Spreads on US high yield credits tightened by 22 basis points in August. In contrast, Eurozone spreads widened by 11 basis points. Spreads are historically tight in both the US and Eurozone, far below the average of the past five years. We don't think this sits well with the uncertain economic outlook. Even if the US and European economies continue to grow over the coming quarters, we still view the spreads as too small. This is because companies will also face higher interest charges. Furthermore, we know that if the solid sentiment on this market deteriorates, the liquidity of these bonds will quickly dry up and spreads will widen. The tight spreads mean there's also less upward potential for high yield credits than for equities.</p>	
Emerging market debt	Neutral
<p>Spreads on emerging market debt issued in US dollars barely tightened in August, but lower underlying yields on US government bonds and coupon payments led to a positive result. Growth in emerging markets is holding up well enough on average but is being squeezed by the trade war. The uncertainty for these countries derives primarily from the US government. The desire for a weaker US dollar isn't negative, but US tariffs could lead to weakening growth dynamics. The interest compensation on a basket of emerging market debt issued in local currency dropped below 6.0% in August for the first time since the start of 2025. Markets were looking at the options open to central banks in emerging markets for cutting interest rates in the event of lower growth. Yet in the case of a marked slowdown in growth, interest rates in these countries could also rise if investors demand higher risk premiums. We think an average return of 6.0% low in general versus returns in developed countries. Moreover, local currencies could be squeezed by the US import tariffs.</p>	
Listed real estate	Neutral
<p>At 2.4% globally, real estate earned a slightly higher return than global equities. This asset class was up in the US but down marginally in Europe. The US trade policy is having a minor deflationary effect on Europe. Yet we don't anticipate any major fluctuations in bond yields and therefore only a minor impact on European real estate. This is partly due to the more expansionary budgetary policy in Germany and concerns surrounding budget deficits. The picture is different in the US,</p>	

Asset class

however. The substantial import tariffs are inflationary there. In August, a U-turn from the Fed towards cutting interest rates and lower market interest rates helped real estate. However, we believe that investors are a little too enthusiastic about interest rate cuts, with upward pressure on yields posing a risk for real estate. We've maintained our neutral outlook for this asset class. We prefer European listed real estate: there's a risk of a stagflation scenario in the US, while global developed listed real estate is expensive versus interest rates and European real estate has a neutral valuation in our opinion.

Commodities	Neutral
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The Bloomberg general commodity index was more or less unchanged in August. Oil prices declined slightly, despite the possibility of higher prices due to the US threat of additional tariffs on India because it imports oil from Russia. The oil market barely reacted. Although geopolitical risks could push up the price of oil in the short term, we expect structural trends to have a downward effect on oil prices in the long term, with higher production by OPEC+ countries and a slowdown in the global economy and trade. The gold price climbed marginally in August, partly due to concerns about inflation and a potential interest rate cut in the US. The price of gold remains historically high. We believe the price is mainly being shored up by the gold purchases of central banks. It's impossible to predict how long this will persist. Gold is an interesting investment at times of uncertainty but given its high price a large amount of uncertainty and/or lower interest rates have already been priced in. Metals remained reasonably stable. We don't see enough of an improvement in the Chinese economy for upward pressure on metal prices.

Markt review

Equities

	Index	Past month	Past 3 months	From 31-12-2024
Global (MSCI AC)	1267	3.8%	8.3%	13.2%
Developed markets (MSCI World)	4177	3.8%	8.1%	12.7%
Emerging markets (MSCI EM)	1267	3.3%	9.4%	17.8%
United States (S&P 500)	6460	3.6%	9.3%	9.8%
Eurozone (EURO STOXX 50)	569	3.1%	0.6%	12.7%
United Kingdom (FTSE 100)	9196	1.4%	4.8%	12.5%
Japan (Topix)	3063	3.9%	9.3%	10.0%
Netherlands (AEX)	896	1.3%	-2.9%	2.0%

Government bonds (10-year)

	Yield (%)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	4.22	1	-16	-35
Japan	1.63	7	13	54
Germany	2.75	7	24	39
France	3.54	19	37	35
Italy	3.64	10	14	11
Netherlands	2.93	9	21	33
United Kingdom	4.76	23	11	19

Investment grade credit

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	80	-2	-11	-2
Eurozone	83	2	-14	-18

High yield bonds

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	290	-16	-83	24
Eurozone	283	2	-43	-28
Emerging markets (USD)	298	-17	-37	-27
Emerging markets (Local currency)	222	3	10	20

Vastgoed

	Past month	Past 3 months	From 31-12-2024
Global	4.4%	3.7%	7.7%
North-America	4.6%	1.9%	1.3%
Europe	0.1%	-4.8%	1.1%

Grondstoffen

	Past month	Past 3 months	From 31-12-2024
Bloomberg index	2.2%	2.8%	4.1%
Base metals	2.2%	1.1%	1.6%
Brent oil (USD per barrel)	68.19	-2.2%	6.7%
Gold (USD per troy ounce)	3479	3.9%	5.9%

Returns in local currency

bp = basis point (0.01%)

Data as of 2 September 2025

Source: LSEG, Van Lanschot Kempen

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